PARKLAND BEEF INDUSTRIES LTD.
R.R. #2 (P.O. BOX 1300) • LACOMBE • ALBERTA

Annual Report to Shareholders

For the 10th Year Ended 30 June 1970

The period under review, our fiscal year ending 30 June 1970, was one of continued profitability despite unusually difficult industry conditions in general for "agri-business," and for cattle feeding in particular. Large grain surpluses led to an unusually strong demand for our "raw material" — replacement feeder cattle — at uneconomically high prices. All levels of government promoted the marketing of grain surpluses through live-stock — a short-sighted, unsuccessful policy, as discussed below.

We have now seen the last of non-recurring expenses of reorganization and financing. During the year cost controls were tightened. Parkland has the leverage to sharply improve profitability; a relatively low fixed overhead expense base can sustain important expansion at minimum cost. We operated at about one-third capacity during the year, in line with general Alberta feedlot conditions — larger commercial feedlots averaged below 50% of capacity while smaller units operated at 10%-40% of capacity.

Parkland, a pioneer public company in a basic Canadian growth industry, is listed on the Calgary Stock Exchange. Over 500 Shareholders throughout Canada tangibly demonstrate faith in our future. The financial press regularly predicts corporate agriculture — agri-business — as a major growth industry in the 1970's. Consumers now demand consistent, uniform quality for their dinner tables throughout the year — obtainable in the beef industry only through "assembly line" feedlot operations.

Financial Summary

For the period ending 30 June 1970, we are pleased to report continuing profitability — operating profits of $32,796 (compared to $43,253 in 1969). After depreciation of $10,866 ($10,338 in 1969), and provision for $3,882 income tax ($2,142 for 1969), net profit totalled $18,048 ($30,773 for 1969).

Working capital at the year-end was 23.5¢ per share, plus about 27.5¢ per share in fixed assets and deposits — for a basic equity or book value of 51¢ per share (without provision for "going concern" or goodwill values).

Labour expenses surplus to current feeding volume is in part reflected in Parkland's improving plant and property — personnel worked on corral expansion, feedlot winterization, extension of water lines, access road construction and improvements to buildings and employee housing. On an overhead expense base allowing for profitable operations at one-third capacity, we foresee rapid improvement as agricultural prices improve. While earnings projections are unusually difficult in our business, we have confidence in Parkland's sustained, increasing profitability.

Review of the Company's Business

Recent Annual Report policy is to include a brief survey of corporate history and operations to inform the year's new Shareholders. Organized as Prairie Packers Ltd. in March 1961, Parkland's livestock feedlot and feed mill facilities near Lacombe, Central Alberta, are strategically located to draw on feeder cattle replacements from southern and western Alberta and for feed grain supplies from eastern, central and northern Alberta. At Red Deer, within 15 miles of Parkland, meat packing capacity has expanded rapidly. The Intercontinental Packers Ltd. plant was completed in 1964 and a $2-million Canada Packers beef processing facility opened December 1969. Nearby markets considerably improve central Alberta's cattle feeding economics by reducing live cattle weight shrinkage and transportation costs to Calgary and Edmonton. Marketings of grain-fed cattle in Parkland's "back yard" tripled during the past 15 years, and continues to expand. Livestock is the Prairie's largest industry — ahead of petroleum.

Parkland's physical plant now includes an automatic, mechanized feed mill for efficient, low-cost processing and mixing of our own feed grain needs and for custom milling services. In addition to feedlot corrals, access roads, fencing, and grain storage capacity, capital improvements include modern employee housing units, all utilities and auxiliary facilities required for an integrated operation. Property acreage in excess of feedlot requirements is profitably employed for hay and roughage crops and for summer grass fattening of cows and younger cattle units. We are in a capital-intensive business, as attested by our Financial Statements, with profitability based on high turnover and consequent low unit cost. Our break-even point is comfortably low.

Industry Economic Review

The single most important economic factor affecting operations the past year was extreme competition from grain growers for limited supplies of replacement feeder cattle. Many farmers became "one-shot" small feeders in order to market otherwise unsaleable grain surpluses. The Saskatchewan Government subsidized loans of $20-million for farmer purchases of cattle, a program originally budgeted at $3-5-million. Inevitably, unrealistic feeder cattle prices resulted in sharp losses for many grain farmer-feeders. Net returns on grain marketed through livestock was generally marginal — less than if originally sold in the cash market. Basically, fluctuating cattle and retail beef prices do not affect our profitability — the margin between our "raw material" or replacement cattle costs, and slaughter cattle prices, is critical.

Parkland's conservative cattle buying policy, particularly on Company-owned cattle, resulted in some cost advantage through low feed grain prices. With 1970 crops not yet in, and damage to the U.S. corn crop possible, near-term prospects remain uncertain. However, top quality barley, which earlier sold at less than 50¢ per bushel for top grades, is now over 60¢ — but compared to a more normal 90¢-$1.25 per bushel. Feed grade or better wheat, about 70¢ per bushel all year, now sells at over 85¢; prices are normally around $1.40 and higher.

Another factor affecting our near-term prospects is the projected sharp increase in hog production, the "red meat" competitor to beef. Hog supplies are up 17% in Alberta and, on a much smaller base, 70% in Saskatchewan. The 1969 Canadian cow kill was reported down about 60% from the average of the previous 5 years, predicting future increases in feeder cattle supplies. World beef demand, described below, needs all of it.

Industry & Company Forecasts

The United Nations' Food & Agricultural Organization predicts 1975 world beef demand at 2.6-million tons, chasing supplies of 2.2-million tons. North America, with 7% of the world's population, consumes 35% of the world's beef supply. Europe's Comon Market is increasingly a beef-deficit area, despite pricing policies designed to foster uneconomic domestic production. The affluent Japanese consumer increasingly demands beef, while living in a land unable to even now produce 10% of current needs. Japan, starting from scratch 25 years ago, is now Canada's prime wheat market; similar growth seems assured for Canadian beef.

Man is multiplying more rapidly than beef cattle. Beef consumption grows as income increases; with more cash, the housewife will spend it on steak. In Canada, per capita beef consumption increased from 57 lbs. in 1949 to 90 lbs. in 1969 — but pork consumption remained unchanged at 50 lbs. per capita. Depending in part on price, Canada's per capita beef consumption will increase by 1980 to between 106 lbs. and 117 lbs. — not remarkable by U.S. standards, where 1970 use was over 110 lbs. per capita.

Where will feeder cattle replacements come from — to supply a 50% greater beef market tonnage by 1980? North American grassland range capacity is finite. When weather, as drought, affects grazing conditions, and U.S. beef supplies are short, their market can easily absorb total Canadian production. With the world's beefeaters consuming the current relatively plentiful supply at historically high prices, what will happen when periodically inevitable natural causes result in tight supplies? Answers to these questions are already reflected in higher cattle price levels prevailing since the mid-1960's — for many years live cattle prices averaging in the mid-20¢'s (per lb., live weight) were considered normal, even high; in recent years live weight prices in the low 30¢'s are accepted as standard. As general price levels rise, widening profit margins for Parkland are a reasonable prospect.

With the future bright in all phases of our industry, Management is investigating vertical integration by way of expansion into ranching. Proposals for a cattle operation in a semi-developed rangeland area of central British Columbia appear interesting. A meat packing plant project is also under investigation, perhaps in association with Japanese interests with direct export connections in that prime market.

Submitted on Behalf of the Board:

28 September 1970 by: S. Donald Moore, Director

PARKLAND BEEF INDUSTRIES LTD.

R.R. #2 (P.O. BOX 1300) • LACOMBE • ALBERTA

BALANCE SHEET

as at 30th June, 1970
(with comparative figures as at 30th June, 1969)

Assets

Current Assets:	1970	1969
Cash in banks	132,221	85,677
Accounts receivable	27,282	89,589
Inventories —		
Cattle — replacement cost	38,173	36,553
Feed and merchandise — cost	20,860	13,345
Prepaid expenses	215	314
Total current assets	218,751	225,478
Fixed Assets: (Note 1)		
Land	45,600	45,600
Plant, buildings and equipment	206,929	194,508
Other Assets:		
Utility deposit	300	300
Organization costs	4,460	4,460
Packing Plant Feasibility Survey	8,500	8,500
	13,260	13,260
	484,540	478,846

Liabilities and Shareholders Equity

Current Liabilities:			1970	1969
Cheques issued and outstanding			26,754	45,443
Estimated corporate income tax payable			3,882	2,142
Accounts payable — trade (Note 2)			7,712	7,233
Current maturity of long-term liabilities			5,550	5,550
Total current liabilities			43,898	60,368
Long-Term Liabilities:				
Farm Improvement Loan — secured			750	1,500
Industrial Development Bank — secured			8,000	12,800
			8,750	14,300
Less current maturity shown above			5,550	5,550
			3,200	8,750
Shareholders Equity:				
Capital Stock —				
Authorized: (Note 3)				
1,000,000 common shares without nominal or par value. Aggregate issue price not to exceed		1,000,000		
Issued and fully paid:				
Balance 1st July, 1969	742,174 shares	262,644		
Issued for cash during the year	1,000 shares	300		
Balance 30th June, 1970	743,174		262,944	262,644
Contributed Surplus:				
Balance forward 1st July, 1969			5,039	5,039
Retained Earnings:				
Balance forward 1st July, 1969		4,144		
Add net profit for the year		18,049	22,192	4,144
Excess of appraised value of fixed assets over depreciated cost (Note 1)			147,267	137,901
			437,442	409,728
			484,540	478,846

Approved on behalf of the Board:

C. M. HELLOFS, Director.

R. WILLIAMS, Director.

Auditor's Report

The Shareholders:
Parkland Beef Industries Limited

Ponoka, Alberta
31st August, 1970

We have examined the Balance Sheet of Parkland Beef Industries Limited as at 30th June, 1970 and the related Statements of Operations and Source and Application of Funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the Company as at 30th June, 1970 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

GILLESPIE, ROWLAND & CO.
Chartered Accountants.

Notes to Financial Statements

(As at 30th June, 1970)

Note 1:

The fixed assets of the Company were appraised by Teralta Construction & Supply Co. Ltd. of Ponoka, Alberta on the 10th May, 1968. This appraisal was approved and accepted by the Directors. The effect of the appraisal is as follows:

	Land	Plant, etc.	Total
Appraised value	45,600	181,451	227,051
Add cost of additions since appraisal	—	25,478	25,478
	45,600	206,929	252,529
Historic cost	16,126	152,839	168,965
Less accumulated depreciation	—	63,703	63,703
	16,126	89,136	105,262
Excess of appraised value over depreciated cost	29,474	117,793	147,267

The assets are recorded on the books of the Company at Historic cost.

Note 2:

As at the 30th June, 1970 the Company had a contingent liability amounting to $945.00 representing a disputed accounting fee from the year ended 30th June, 1969.

Note 3:

As at 30th June, 1970 Mr. P. Heinz, an employee, held an option on 1,000 common shares at 30¢ per share exercisable in May, 1971.

Statement of Operations

(For the year ended 30th June, 1970)
(with comparative figures for the year ended 30th June, 1969)

	1970	1969	Change
Sales	426,852	342,393	84,459
Cost of Sales:			
Opening inventory	49,898	60,584	(10,686)
Purchases	379,693	268,397	111,296
	429,591	328,981	100,610
Closing inventory	59,033	49,898	9,135
	370,558	279,083	91,475
Gross profit	56,294	63,310	(7,016)
Other Income:			
Buying commissions	20,547	22,205	(1,658)
Yardage charges	28,480	26,842	1,638
Milling revenue	12,172	10,290	1,882
Interest revenue	4,269	2,150	2,119
Surface lease	340	340	—
Gain on truck disposal	150	—	150
	122,252	125,137	(2,885)
Operating expenses (Schedule I)	89,456	81,884	7,572
Net profit before depreciation	32,796	43,253	(10,457)
Depreciation:			
Buildings	4,403	3,865	538
Equipment	5,205	5,204	1
Automotive	1,258	1,269	(11)
	10,866	10,338	528
Net profit before income tax	21,930	32,915	(10,985)
Provision for income tax	3,882	2,142	1,740
Net profit for the year	18,048	30,773	(12,725)

Statement of Source and Application of Funds

(For the year ended 30th June, 1970)
(with comparative figures for the year ended 30th June, 1969)

		1970	1969
Funds provided:			
From Operations —			
Net profit		18,048	30,773
Add non-cash items:			
Depreciation		10,866	10,338
		28,914	41,111
Sale of shares		300	132,746
Total funds provided		29,214	173,857
Funds applied:			
Current portion of long-term liabilities	—		3,000
Utility deposit	—		100
Organization costs	—		1,615
Purchase of fixed assets	13,921		13,058
Reduction of long-term liabilities	5,550		5,050
Total funds applied		19,471	22,823
Increase in working capital		9,743	151,034
Working capital beginning of year		165,110	14,076
Working capital end of year		174,853	165,110

Schedule I

Schedule of Operating Expenses

(For the year ended 30th June, 1970)
(with comparative figures for the year ended 30th June, 1969)

	1970	1969	Change
Salaries and wages	34,718	29,860	4,858
Feed and veterinary supply	23,998	22,564	1,434
Repairs and maintenance	5,266	4,317	949
Interest and finance charges	1,251	2,997	(1,746)
Gasoline, oil and grease	2,130	1,682	448
Utilities	3,735	3,607	128
Professional fees	2,792	3,770	(978)
Shareholder information and printing	2,097	1,076	1,021
Commissions and procurement fees	2,835	2,188	647
Telephone	2,351	1,938	413
Office supplies	840	487	353
Taxes and licenses	792	707	85
Equipment rental	1,048	192	856
Insurance	1,434	1,384	50
Employee housing	1,035	1,450	(415)
Employee benefits	823	471	352
Bank charges	783	958	(175)
Travel	464	852	(388)
Advertising	739	470	269
Bad debts	60	456	(396)
Supplies	206	405	(199)
Miscellaneous	59	53	6
Total operating expenses	89,456	81,884	7,572

PARKLAND BEEF INDUSTRIES LTD.
R.R. #2 (P.O. BOX 1300) • LACOMBE • ALBERTA

File

Semi-Annual Report to Shareholders

(6-Months Ended 31 December 1971)

Record profits are reported for the interim period under review. But Management can -- and will -- do better, based on PARKLAND's relatively low fixed cost base. Our continuing programme of feedlot improvements is designed to support major expansion in cattle feeding numbers at lower unit costs.

For the 6-months, unaudited operating profits totaled $23,725 ($7,895 in 1970) -- after depreciation and income tax, net income was $13,195 ($1,920 in 1970). Though gross sales and revenue increased 37% -- after-tax profits increased more than six-fold, although from a small base.

Financial highlights at our half-year include -- 1.8¢ profit per share -- 2.7¢ cash flow per share -- 23.3¢ working capital per share -- and over 55¢ book value per share (employing depreciated fixed assets, and without provision for "going concern" or goodwill values).

Beef consumers -- all of us -- need no confirmation on current high prices. U.S. live cattle futures are at the highest prices since trading began in 1965. Cash prices are the highest in 20 years. U.S. beef consumption has more than doubled the past two decades -- from 55 to 117 lbs. per person (about 105 lbs. in Canada). Strong retail demand and low-cost feed grain supplies have again combined to provide unusually strong competition for replacement feeder cattle. Our industry may never again see "normal spreads" between feeder and fat cattle prices. Despite fears of over-expansion in Western Canada feedlot capacity, growing population, rising incomes and developing export markets will certainly take up any slack. Consider that Canada is only 5th in world beef consumption, at about 105 lbs. per capita -- behind Argentina near 200, Uruguay at 133, the U.S. at 117, New Zealand at 114 and Paraguay at 111.

PARKLAND's management avoids frills. In our volatile business, profitability depends on constant cost vigilance. With a comfortable working capital position -- and no funded debt, senior securities or share warrants, rights or options -- we foresee continuing expansion without dilution of Shareholder equity in earnings.

Submitted on Behalf of the Board:
by: S. Donald Moore; President

21 February 1972

PARKLAND BEEF INDUSTRIES LTD.

R.R. #2 (P.O. BOX 1300) • LACOMBE • ALBERTA

COMPARATIVE STATEMENT OF INCOME AND EXPENSES

(For the 6-months ended 31 December 1970 and 1971)

	1971	1970
SALES AND REVENUE		
Livestock Sales and Revenue	$ 997,006	$728,755
Yardage Revenue	17,610	10,076
Milling Revenue	8,069	4,935
Buying Commissions	5,434	5,751
Other Revenue(Interest,Hog Buying Commissions)	181	2,087
	1,028,300	751,604
COSTS AND EXPENSES		
Cost of Sales	970,487	710,360
General and Administrative Expense	34,088	33,349
	1,004,575	743,709
NET OPERATING PROFIT (Before Depreciation and Provision for Income Taxes)	23,725	7,895
Less Depreciation	7,022	5,975
Less Provision For Income Taxes	3,508	--
NET PROFIT FOR THE PERIOD	$ 13,195	$ 1,920

COMPARATIVE STATEMENT OF SOURCE AND APPLICATION OF FUNDS

(For the 6-months ended 31 December 1970 and 1971)

	1971	1970
SOURCE OF FUNDS		
Net Profit for the Period	$ 13,195	$ 1,920
Non-Cash Charges for Depreciation	7,022	5,975
Total Funds Provided	20,217	7,895
APPLICATION OF FUNDS		
Purchase of Fixed Assets	11,076	10,896
Utility Deposit	--	50
Reduction of Long Term Liabilities	3,150	2,400
Total Funds Applied	14,226	13,346
Increase (Decrease) in Working Capital	5,991	(5,451)
Working Capital -- Beginning of Period	167,175	173,294
Working Capital -- End of Period	$ 173,166	$167,843

(UNAUDITED)

file

PARKLAND BEEF INDUSTRIES LTD.

R.R. #2 (P.O. BOX 1300) • LACOMBE • ALBERTA

Annual Report to Shareholders

For the 11th Year Ending 30 June 1971

To PARKLAND BEEF Shareholders:

This Annual Report reviews our fiscal year ending 30 June 1971—one of continued profitability despite persistent industry problems. Chronic grain surpluses resulted in unusually strong competition for our basic "raw material"—replacement feeder cattle. Excessive demand was reflected in uneconomically high replacement costs which limited our cattle numbers on feed. A decided improvement occurred during the past several months—largely due to severe losses of many "one-shot" farmer-feeders who did not recover their costs, which included record high bank interest charges, even in the face of reasonably stable, sometimes strong, fat cattle markets.

PARKLAND's relatively low overhead expense base can support important expansion at minimum cost. Sharply improved profitability is expected this year. Cattle numbers on feed are sharply higher, with overhead costs stable. Feedlot inventory during the 1970 July-September quarter averaged 761 cattle on feed; numbers declined to 631 the second quarter; rose to 758 the third quarter; and rose again to 1,297 the last quarter. This year, July 1971 cattle numbers averaged 1,445; August 1,371; September 1,492; 1971's first fiscal quarter averaged 1,460—almost double that of 1970's 761. Current October cattle numbers have increased further to an average 1,600 head on feed.

PARKLAND's growing reputation as an integrated, dependable, efficient and well-financed operation is increasingly attractive to custom feeders. Major packers, including Canada Packers and Swift, and feed manufacturers, including Love Feeds of Calgary, and several long-established, experienced ranchers and cattle operators have recently contracted for PARKLAND custom feeding services.

Financial Notes

Despite 1970's low average numbers on feed—between 25% and 45% of capacity—we reported operating profits of $22,730 ($32,796 in 1970). After depreciation of $13,429 ($10,866 in 1970) and provision for $759 income tax ($3,882 for 1970), net profit totaled $8,542 ($18,048 in 1970).

After fairly substantial fixed asset purchases, working capital remained about unchanged—22½¢ per share—plus about 31¢ per share in fixed assets—for a basic equity or book value totalling 53½¢ per share (without provision for "going concern" or goodwill values). Shareholders will relate these values to current PARKLAND share quotations.

Commencing March 1971, Management revised and rationalized senior personnel wage costs. We expect substantially reduced unit labour costs this year. Further, our feedlot labour costs are in part reflected in PARKLAND's continually improving plant and property—corral expansion, winterization, water line extensions, improved feedlot access roads and general upgrading of buildings and employee housing. A new mill office building was just completed. Although earnings projections are unusually difficult in our business, the combination of sharply increased cattle numbers and reduced unit costs ensures sustained profitability.

Review of the Company's Business

Our Annual Report policy is to include a brief survey of corporate history and operations to inform the financial community and new Shareholders. Organized as Prairie Packers Ltd. in March 1961, PARKLAND's livestock feedlot and feed mill facilities near Lacombe, Central Alberta, are strategically located to draw on feeder cattle replacements from southern and western Alberta and for feed grain supplies from eastern, central and northern Alberta. At Red Deer, within 15 miles of PARKLAND, meat packing capacity has expanded rapidly. Intercontinental Packers' plant was completed in 1964 and a $2-million Canada Packers beef processing facility opened December 1969. Nearby markets considerably improve central Alberta's cattle feeding economics by reducing live cattle weight shrinkage and transportation costs to Calgary and Edmonton. Marketings of grain-fed cattle in PARKLAND's "back yard" tripled during the past 15 years, and continues to expand. Livestock is the Prairie's largest industry—ahead of petroleum and providing three times as many jobs.

PARKLAND's physical plant now includes an automatic, mechanized feed mill for efficient, low-cost processing and mixing of our own feed grain needs and for custom milling services. In addition to feedlot corrals, access roads, fencing and grain storage capacity, capital improvements include modern employee housing units, all utilities and auxiliary facilities required for an integrated operation. Acreage in excess of feedlot requirements is profitably employed for hay and roughage crops and for summer grass fattening of cows and younger cattle units. We are in a capital-intensive business. Profitability is based on high turnover and consequent low unit costs. Our break-even point is comfortably low.

PARKLAND, a pioneer public company in a basic Canadian growth industry, is listed on the Calgary Stock Exchange. Over 500 Shareholders throughout Canada tangibly demonstrate faith in our future. The financial press regularly predicts corporate agriculture—agri-business—as a major growth industry in the 1970's. Consumers now demand consistent, uniform quality for their dinner tables throughout the year—obtainable in the beef industry only through "assembly line" feedlot operations.

Beef Industry Review & Forecasts

The major economic factor affecting operations during the year under review was the extreme competition from grain farmers for limited supplies of replacement feeder cattle—they became "one-shot" small feeders in order to market otherwise unsaleable grain surpluses. Unrealistic prices paid for feeder cattle resulted in sharp losses for many farmer-feeders. Net returns on grain marketed through livestock were largely marginal—generally less than if the grain was sold directly on the cash market.

Fluctuating retail beef prices generally do not affect a feeder's profitability, although "red meat" competition from excessive pork supplies, as was the case the past year, does place a form of ceiling on beef prices. The feeder's profit margin is largely influenced by the spread between replacement feeder costs and slaughter cattle prices. The unrelenting increase in per capita income steadily spurs consumer demand for beef; strong retail beef markets will be with us for the foreseeable future.

The United Nations' Food & Agricultural Organization predicts 1975 world beef demand at 2.6-million tons—chasing supplies of 2.2-million tons. North America, with 7% of the world's population, consumes 35% of the world's beef supply. Europe's Common Market is increasingly a beef-deficit area, despite pricing policies designed to foster uneconomic domestic production. The affluent Japanese consumer increasingly demands beef, while living in a land unable to produce even 10% of low current needs. Japan, starting from scratch 25 years ago, is now Canada's prime wheat market; similar growth seems assured for Canadian beef.

Man is multiplying more rapidly than beef cattle. With more cash, the housewife will spend it on steak. In Canada, per capita beef consumption increased from 57 lbs. in 1949 to 93 lbs. in 1970—but pork consumption remained almost unchanged at 50 lbs. per capita. Depending in part on price, Canada's per capita beef consumption will increase by 1980 to between 106 lbs. and 117 lbs.—not remarkable by U.S. standards where 1970 use was over 110 lbs. per capita.

Increasing concern is being expressed over future sources of replacement feeder cattle—to supply the at least 50% greater beef tonnage to be demanded by 1980. North American grassland range capacity is finite. Even less expansion is possible elsewhere; land is too costly to justify calf production. Yet the beef cow's long gestation period, with single births, make assembly-line "hot-house" production of calves impractical. Mass production of modern hogs and chickens are based on entirely different reproductive cycles and birth statistics. When weather conditions, such as drought or frost, reduce grassland cow-carrying capacities, serious beef shortages are inevitable. When U.S. beef supplies are short, their market can easily absorb total Canadian production. The current relatively plentiful supply is being consumed at historically high prices. Even a minor shortage will see exploding prices—beefeaters are reluctant to curtail consumption, particularly in our "guaranteed income" economy.

Higher cattle prices have prevailed since the mid-1960's—for many years fat cattle prices averaged about 25¢ (per lb., live weight); in recent years, prices above 30¢ are considered average. We feel that excellent consumer demand for beef and the developing trend to large, well-financed "agri-business" will secure PARKLAND's position as a well-established and profitable corporate beef producer.

Submitted on Behalf of the Board:

27 October 1971 by: S. Donald Moore, President

PARKLAND BEEF INDUSTRIES LTD.

R.R. #2 (P.O. BOX 1300) • LACOMBE • ALBERTA

BALANCE SHEET

as at 30th June, 1971

(with comparative figures as at 30th June, 1970)

Assets

		1971	1970
Current Assets:			
Cash in banks		$ 9,130	132,221
Accounts receivable		75,467	27,282
Inventories —			
Cattle — replacement cost		112,274	38,173
Feed and merchandise — cost		33,264	20,860
Prepaid expenses		532	515
Total current assets		230,667	219,051
Fixed Assets: (Note 1)			
Land		45,600	45,600
Plant, buildings and equipment		272,425	250,929
		318,025	296,529
Less accumulated depreciation		86,294	73,513
		231,731	223,016
Other Assets:			
Organization costs		4,460	4,460
Packing Plant Feasibility Survey		—	8,500
		4,460	12,960
		$466,858	455,027

Liabilities and Shareholders' Equity

			1971	1970
Current Liabilities:				
Cheques issued and outstanding			$ 30,266	26,754
Estimated corporate income tax payable			759	3,882
Accounts payable — trade			28,517	7,712
Current maturity of long term liabilities			3,950	5,550
Total current liabilities			63,492	43,898
Long-term Debt:				
Farm improvement loan — secured			750	750
Institutional lender — secured			3,200	8,000
			3,950	8,750
Less current maturity shown above			3,950	5,550
			—	3,200
Shareholders' Equity:				
Capital stock —				
Authorized:				
1,000,000 common shares without nominal or par value. Aggregate issue price not to exceed	$1,000,000			
Issued and fully paid: (Note 2)				
Balance July 1, 1970 $743,174 shares		262,944		
Issued for cash during the year 1,000 shares		300	263,244	262,944
Balance June 30, 1971 744,174				
Contributed Surplus:				
Balance forward July 1, 1970			5,039	5,039
Retained Earnings:				
Balance forwarded July 1, 1970		22,192		
Add net profit for the year		8,542		
		30,734		
Amortization of feasibility survey costs		8,500	22,234	22,192
Excess of appraised value of fixed assets (Note 1) over depreciated cost			112,849	117,754
			$466,858	455,027

Subject to accompanying Auditors' Report of

Alexander Kennedy Miller & Co. Chartered Accountants,

dated September 16, 1971.

Approved on behalf of the Board:

S. D. MOORE, Director.

D. W. LAIRD, Director.

Auditors' Report

We have examined the balance sheet of Parkland Beef Industries Limited as at June 30, 1971 and the statements of operations and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at June 30, 1971 and the results of its operations for the year then ended, in accordance with generally accepted accounting principles which, except for the change in accounting for asset appraisals referred to in Note 1 to the financial statements, have been applied on a basis consistent with that of the preceding year.

ALEXANDER KENNEDY MILLER & CO.
Chartered Accountants

Notes to Financial Statements
June 30, 1971

Note 1:

The fixed assets of the Company were appraised by Teralta Construction and Supply Co. Ltd. of Ponoka, Alberta, May 10, 1968. This appraisal was approved and accepted by the Directors. The effect of the appraisal is as follows:

	Land	Plant Etc.	Total
Appraised value	$ 45,600	181,451	227,051
Historic cost May 10, 1968	16,126	127,360	143,486
Less accumulated depreciation	—	43,999	43,999
	16,126	83,361	99,487
Excess of appraisal value over depreciated cost	29,474	98,090	127,564
Charges to accumulated depreciation 1969	—	4,905	4,905
1970	—	4,905	4,905
1971	—	4,905	4,905
	—	14,715	14,715
Balance June 30, 1971	$ 29,474	83,375	112,849

Effective July 1, 1970 accounting treatment of the excess of appraisal value over depreciated cost has been changed to reflect amortization of the excess as noted above. Account balances as at June 30, 1970 have been adjusted to reflect the above change in accounting treatment, the result being a decrease in the excess of appraised value of fixed assets over depreciated cost to $117,754

Note 2:

In October 1970 a 5 year Management Stock Option Plan was approved whereby specific key management personnel were given the option to purchase up to a maximum of 10,000 shares in any given year for five years ending December 31, 1975 at a price not less than 50¢ per share. The maximum number of shares available to the group over the five years is 50,000.

Note 3:

Gross sales for the years 1970 and 1971 have been adjusted to include livestock purchased on behalf of custom feed lot clients thereby more accurately reflecting the total volume of livestock handled by the Company.

Statement of Operations

Year ended June 30, 1971

(with comparative figures for 1970)

	1971	1970	Change
Sales (Note 3)	$1,403,574	1,328,951	74,623
Less client livestock purchases	969,156	902,099	67,057
	434,418	426,852	7,566
Cost of sales:			
Opening inventory	59,033	49,898	9,135
Purchases	484,796	403,897	80,899
	543,829	453,795	90,034
Closing inventory	145,537	59,033	86,504
	398,292	394,762	3,530
Gross profit	36,126	32,090	4,036
Other income:			
Yardage charges	23,249	28,480	(5,231)
Milling revenue	12,059	12,172	(113)
Buying commissions	8,290	17,712	(9,422)
Interest revenue	3,217	4,269	(1,052)
Gain on equipment disposals	1,394	150	1,244
Surface lease	340	340	—
	84,675	95,213	(10,538)
Operating expenses (Schedule I)	61,945	62,417	(472)
Profit before depreciation	22,730	32,796	(10,066)
Depreciation:			
Buildings	4,900	4,403	497
Equipment	5,211	5,205	6
Automotive	3,318	1,258	2,060
	13,429	10,866	2,563
Profit before income tax	9,301	21,930	(12,629)
Provision for income tax	759	3,882	(3,123)
Net profit for the year	$ 8,542	18,048	(9,506)

Statement of Source and Application of Funds

Year ended June 30, 1971

(with comparative figures for 1970)

		1971	1970
Funds provided:			
From operations—			
Net profit		$ 8,542	18,048
Non-cash items:			
Depreciation	$ 13,429		10,866
Less gain on equipment disposals	1,394	12,035	
		20,577	28,914
Sale of shares		300	300
Proceeds from equipment disposals		1,941	—
Total funds provided		22,818	29,214
Funds applied:			
Purchase of fixed assets	27,596		13,921
Reduction of long-term liabilities	3,200		5,550
Total funds applied		30,796	19,471
Increase (decrease) in working capital		(7,978)	9,743
Working capital beginning of year		175,153	165,410
Working capital end of year		$167,175	175,153

Schedule of Operating Expenses

Schedule I

Year ended June 30, 1971

(with comparative figures for 1970)

	1971	1970	Change
Salaries, wages and buying commissions	$ 33,378	34,718	(980)
Repairs and maintenance	4,817	5,266	(449)
Interest and finance charges	1,889	1,251	638
Gasoline, oil and grease	3,499	2,130	1,369
Utilities	4,464	3,735	729
Professional fees	2,149	2,792	(643)
Shareholder information and printing	1,467	2,097	(630)
Telephone	2,488	2,351	137
Office supplies	500	840	(340)
Taxes and licenses	1,151	792	359
Equipment rental	732	1,048	(316)
Insurance	1,679	1,434	245
Employee housing	1,375	1,035	340
Employee benefits	762	823	(61)
Bank charges	325	783	(458)
Travel	264	464	(200)
Advertising	577	739	(162)
Bad debts	16	60	(44)
Miscellaneous	53	59	(6)
Total operating expenses	$ 61,495	62,417	472

PARKLAND BEEF INDUSTRIES LTD.
R.R. #2 (P.O. BOX 1300) • LACOMBE • ALBERTA

Semi-Annual Report to Shareholders

(Six-Months Ending 31 December 1972)

Your Company is pleased to report record profits for the 6-months under review. Operating profits rose to \$61,441 (\$25,623 in 1971) -- net income (after depreciation, interest and income tax) increased to \$22,284 (\$13,195 in 1971). But income taxes increased over 600% -- a clear case of destructive discrimination against small public companies under the new 1972 Income Tax Act.

Financial highlights at the half-year include -- 3.0¢ per share profit -- 4.5¢ per share cash flow -- 27¢ per share working capital -- over 60¢ per share book value (on depreciated fixed assets, before inflation considerations,and without "going concern" or goodwill values).

The worldwide beef shortage continues. In Canada alone, an increase of 1.5-million calf-producing cows are required to meet increased demand. The "cushion" provided by the 25-year switch from dairy to beef cows is no longer there. Beef production increased 230% since 1951. By 1980, our consumption, not including exports, will further increase at least 60% over 1972. Only adequate producer prices will ensure adequate beef supplies. As the adage goes:

Housewife -- "How come you charge \$1.99 a pound for steak? The butcher across the street charges only \$1.49 a pound."

Butcher -- "Then why don't you buy from him?"

Housewife -- "Oh, he doesn't have any steak today."

Butcher -- "Ma'am, when I don't have any steak, my price is only 89¢ a pound!"

23 February 1973 by: S. Donald Moore; President

BD Cancers

PARKLAND BEEF INDUSTRIES LTD.

R.R. #2 (P.O. BOX 1300) • LACOMBE • ALBERTA

COMPARATIVE STATEMENT OF INCOME AND EXPENSES

(For the 6-months ended 31 December 1971 and 1972)

	1972	1971
SALES AND REVENUE		
Livestock Sales and Revenue.................	$1,089,049	$ 997,006
Other Revenues (Yardage, Milling, Interest, Commissions)..................	30,652	31,294
	1,119,701	1,028,300
COSTS AND EXPENSES		
Cost of Sales..............................	1,028,322	970,487
General and Administrative Expenses........	29,938	34,088
	1,058,260	1,004,575
NET OPERATING PROFIT (Before Depreciation, Interest and Provision for Income Taxes)..............	61,441	25,623
Less Depreciation..........................	10,789	7,022
Less Interest..............................	6,084	1,898
Less Provision For Income Taxes............	22,284	3,508
NET PROFIT FOR THE PERIOD..................	$ 22,284	$ 13,195
PER SHARE..........	3.0¢	1.77¢

COMPARATIVE STATEMENT OF SOURCE AND APPLICATION OF FUNDS

(For the 6-months ended 31 December 1971 and 1972)

	1972	1971
SOURCE OF FUNDS		
Net Profit for the Period..................	$ 22,284	$ 13,195
Non-Cash Charges for Depreciation..........	10,789	7,022
Total Funds Provided.....	33,073	20,217
APPLICATION OF FUNDS		
Purchase of Fixed Assets...................	12,100	11,076
Reduction of Long Term Liabilities.........	--	3,150
Total Funds Applied......	12,100	14,226
Increase in Working Capital................	20,973	5,991
Working Capital -- Beginning of Period......	178,967	167,175
Working Capital -- End of Period...........	$ 199,940	$173,166

(UNAUDITED)

PARKLAND BEEF INDUSTRIES LTD.
R.R. #2 (P.O. BOX 1300) • LACOMBE • ALBERTA

Annual Report to Shareholders

For the 12th Year Ending 30 June 1972

To PARKLAND BEEF Shareholders:

Public beefs—on beef prices—made headlines the past year. This is understandable—red meats are alone responsible for 14% of Canada's total economic activity!

Though fed cattle marketings were up 7% for the year to September, demand remained exceptionally strong. Higher production was sold at higher prices. The basic strength of the beef business derives from continually rising consumer incomes. Yet, our industry's return on capital remains low. Prices have not kept pace with costs. In 20 years, beef is up 31%—the cost of living up 56%. More to the point—the average consumer, with 1 hour's wage, bought 1.79 lbs. of beef in 1950, 2.57 lbs. in 1960—and about 3.4 lbs. in mid-1972. What's the beef?

With building tradesmen earning $10-$15/hr., longshoremen $5.70/hr. and butchers $6/hr., the cattleman is blasted when beef rises pennies per pound. In effect, the public wants the beef industry to subsidize their summer vacation cottages and Florida and Hawaii junkets—not to mention their Xmas whiskey!

The fact is that millions of urbanites enjoy much lower food—and beef—costs in relation to income than ever before. While beef prices have returned to 1951 levels, wages and salaries have tripled, dividends have more than tripled, and auxiliary costs as packaging, handling, transportation and retail rents are out of sight. Nevertheless, our time is coming. The vital beef industry must share the general prosperity, with a return on capital commensurate with its importance to our very existence.

Financial Notes

Feedlots are like hotels—profitability increases with percentage of occupancy. On a 26.5% increase in gross revenues (to $1,873,000 for the fiscal year ended 30 June 1972, from $1,488,000 in 1971), we reported a 152% increase in operating profit (before interest, depreciation and income taxes)—$62,125 for the 1972 fiscal year, compared with $24,619 for fiscal 1971. After depreciation of $20,208 ($13,429 in 1971), interest of $4,502 ($1,889 in 1971) and provision for $13,924 income tax ($759 in 1971), 1972 net profit was $23,491 (3.15¢ per share), an increase of 176% over 1971 results ($8,542 and 1.14¢ per share).

Ironically, Income Tax "reform" increased PARKLAND's tax bill almost 100%—from about $8,000 to $14,000. Fortunately, "reform" applied only to half our fiscal 1972 profits. In their bizarre "wisdom," National Revenue removed public companies from the "small business" tax umbrella, raising our rate from 21% to 50%. No "corporate welfare" for PARKLAND Shareholders!

Working capital increased to over 24¢ per share—plus about 33¢ per share in depreciated fixed assets—for a basic equity or book value of 57¢ per share (without provision for "going concern" or goodwill values).

Company Review

Our Annual Report policy is to include a brief survey of our role in the beef feedlot industry—so large in the economic scheme of things and so important on the dinner table. PARKLAND's feedlot and feed mill, near Lacombe, in Central Alberta, are strategically located for feeder cattle replacements from southern and western Alberta ranches and surrounded by the world's premium feed grain production. At Red Deer, within 15 miles of our operations, new meat packing capacity was established in 1964 and 1969. Grain-fed cattle marketings in our "backyard" more than tripled during the past 15 years.

PARKLAND's physical plant includes an automatic, mechanized feed mill for low-cost processing and mixing of Company and custom feed grain and milling needs. Our integrated operation includes feedlot corrals, substantially expanded during the past year, with access roads, fencing and grain storage. Recent capital improvements include modern employee housing units, complete utility systems and all auxiliary facilities required for "assembly line" beef production. Acreage in excess of feedlot corrals is profitably employed for summer grass fattening of cows and calves. PARKLAND is in a capital intensive business; profitability depends on high turnover and consistently low unit costs. The financial press predicts that corporate agriculture—agri-business—must be a major growth industry in the 1970's.

Industry Review

We can relate PARKLAND's future to Canada's rating among world beef consumers—we are 5th, at about 105 lbs. per capita—behind Argentina near 200, Uruguay at 133, the U.S. at 119, New Zealand at 114 and Paraguay at 111. However, 1938 consumption was only 54 lbs. per capita—and demand increased 75% over the past 20 years. More important, from 1960 to the present, beef consumption increased from 53% to 60% of all red meat production. Sixty million North American housewives spend no less than $275-million a week on beef!

Perhaps 1972's most significant development was the worldwide beef shortage. Traditional exporters, as Argentina, Uruguay and Mexico, were hard-pressed to meet domestic demand. Meatless days and weeks were common. There is little expansion potential, even in Canada. Restricting factors include limited forage and pastures around the world, and a steady decline in dairy herds, a former prime source of bull calves for feedlots. With food grains short around the world—Russia and China are now major importers—early expansion of animal feed supplies is unlikely. Only long-term projects involving land clearance, pasture seeding or cropland conversion can significantly expand cow-calf numbers.

Nonetheless, North Americans continue to enjoy by far the world's greatest food bargains. Including beef, we spend 16% of our income on food, compared to 25-35% in Europe, over 40% in Russia and Japan and over 50% in India. Consumer groups are vociferous about rising beef prices—as they sip vintage wines vacation-bound to exotic foreign spas.

Forecasting the Future

Expansion prospects in several areas are under investigation. Japan is the most promising—imports of North American wheat, soybeans, oilseeds and other agricultural products expanded from practically zero to the multi-billions in only 20 years. Beef is next; this is certain. Affluence breeds beef appetites—and Japanese affluence is the world's wonder. Current consumption, only about 11 lbs. per capita, is up 50% in 2 years. Kobe-type beef retails at $4 to $7 per pound—and Canada's premium feed grains establish us as a logical source of this high grade product.

PARKLAND is examining long-term joint venture proposals, including major new financing designed to considerably expand our facilities. A Japanese deal would involve a Company killing plant supplying a substantial rail-sea beef carcass export operation, employing recently developed refrigerated container-ships.

Management has developed a custom feeding partnership-syndicate contract considered attractive to the general investment community. Cattle feeding through limited partnership financing is widely established in the United States. Substantial tax deferral benefits are available there; we feel that comparable advantages will soon be recognized and accepted in Canada. When stable cattle numbers have been fed over at least a 5-year term, favourable returns on equity have been experienced.

Management has discussed vertical integration with several investment groups—into ranching operations, to furnish a percentage of our replacement needs from in-house cow-calf operations—and into a packing plant business directly affiliated with distributors and wholesalers in major urban areas. The choices are varied and interesting. We look forward to the future with confidence.

Submitted on Behalf of the Board:

30 October 1972

by: S. Donald Moore, President

PARKLAND BEEF INDUSTRIES LTD.

R.R. #2 (P.O. BOX 1300) • LACOMBE • ALBERTA

FINANCIAL STATEMENTS
30th June, 1972

Balance Sheet
June 30, 1972
(with comparative figures for 1971)

Assets

		1972	1971
Current Assets:			
Cash on hand		$ 29,009	9,130
Accounts receivable		69,612	75,467
Inventories —			
Livestock (Note 1)		298,846	112,274
Feed and merchandise — cost		25,271	33,264
Prepaid expense		605	532
Total current assets		423,343	230,667
Fixed Assets: (Note 2)			
Land		45,600	45,600
Plant, buildings and equipment		304,139	272,425
		349,739	318,025
Less accumulated depreciation		106,309	86,294
		243,430	231,731
Other Assets:			
Organization costs		4,460	4,460
		$671,233	466,858

Liabilities and Shareholders' Equity

		1972	1971
Current Liabilities:			
Due to banks (secured by inventories and book debts)		$195,349	—
Cheques issued and outstanding		17,008	30,266
Corporation income taxes payable		13,924	759
Accounts payable — trade		18,095	28,517
Farm improvement loan — secured		—	3,950
Total current liabilities		244,376	63,492
Shareholders' Equity:			
Capital stock:			
Common shares without nominal or par value. Aggregate issue price not to exceed $1,000,000. Authorized 1,000,000 shares. Issued 744,174 shares at stated value		263,244	263,244
Contributed Surplus:			
Balance forward July 1, 1971		5,039	5,039
Retained Earnings:			
Balance forward July 1, 1971	$22,234		
Add: Net profit for the year	23,491		
Current years amortization of appraisal excess	4,905	50,630	22,234
Excess of appraised value of fixed assets over depreciated cost (Note 1)		107,944	112,849
Total shareholder's equity		426,857	403,366
		$ 671,233	466,858

On behalf of the Board:
S. D. MOORE; Director
D. W. LAIRD; Director

Auditor's Report

We have examined the balance sheet of Parkland Beef Industries Ltd. as at June 30, 1972 and the statements of operations and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the company as at June 30, 1972 and the results of its operations for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

PEAT, MARWICK, MITCHELL & CO.
Chartered Accountants.

Ponoka, Alberta
September 15, 1972.

Statement of Operations
Year ended June 30, 1972
(with comparative figures for 1971)

	1972	1971	Change
Sales	$1,757,892	1,403,574	254,318
Less client livestock purchases	1,314,949	969,156	345,793
	442,943	434,418	8,525
Cost of Sales:			
Opening inventory	145,537	59,033	86,504
Purchases	560,189	484,796	75,393
	705,726	543,829	161,897
Closing inventory	324,118	145,537	178,581
	381,608	398,292	(16,684)
Gross profit	61,335	36,126	25,209
Other Income:			
Yardage charges	37,574	23,249	14,325
Milling revenue	15,251	12,059	3,192
Interest revenue	589	3,217	(2,628)
Surface lease	340	340	—
Gain on equipment disposals	31	1,394	(1,363)
Buying commission	—	8,290	(8,290)
	115,120	84,675	30,445
Operating and Administrative Expense	52,995	60,056	(7,061)
Profit before interest, depreciation and income taxes	62,125	24,619	37,506
Interest	4,502	1,889	2,613
Profit before depreciation and income taxes	57,623	22,730	34,893
Depreciation	20,208	13,429	6,779
Profit before income taxes	37,415	9,301	28,114
Income Taxes	13,924	759	13,165
Net profit for the year	23,491	8,542	14,949
Net Profit per Share	3.15¢	1.14¢	

Statement of Source and Application of Funds
Year ended June 30, 1972
(with comparative figures for 1971)

		1972	1971
Funds Provided:			
From operations —			
Net profit		$ 23,491	8,542
Non-cash items:			
Depreciation	$20,208		13,429
Less gain on equipment disposals	31	20,177	(1,394)
		43,668	20,577
Proceeds from equipment disposals		50	1,941
Sale of shares		—	300
Total funds provided		43,718	22,818
Funds Applied:			
Purchase of fixed assets		31,926	27,596
Reduction of long-term liabilities		—	3,200
Total funds applied		31,926	30,796
Increase (decrease) in working capital		11,792	(7,978)
Working capital beginning of year		167,175	175,153
Working capital end of year		$178,967	167,175

Notes to Financial Statements
as at June 30, 1972

Note 1

Livestock inventories of Parkland Beef Industries Ltd. located at the feed-lot are valued for year end purposes at replacement cost. The replacement cost of these animals as at June 30, 1972 was $228,980. The pasture operation animal inventories are valued at original cost plus carrying charges to June 30, 1972 and totalled $69,866 as at that date.

Note 2

The fixed assets of the company were appraised by Teralta Construction & Supply Co. Ltd. of Ponoka, Alberta, May 10, 1968 in connection with a public financing completed during late 1968. This appraisal was approved and accepted by the Directors. The effect of the appraisal is as follows:

	Land	Plant Etc.	Total
Appraised value	$45,600	181,451	227,051
Historic cost May 10, 1968	16,126	127,360	143,486
Less accumulated depreciation	—	43,999	43,999
	16,126	83,361	99,487
Excess of appraisal value over depreciated cost	29,474	98,090	127,564
Charges to accumulated depreciation	—	19,620	19,620
Balance June 30, 1972	29,474	78,470	107,944

The excess of appraisal value over depreciated cost is being charged against operations over the estimated remaining life of the fixed assets. This procedure commenced in 1972 with the result of decreasing profits calculated under the previous method by $4,905.00.

4929 ROSS STREET
RED DEER • ALBERTA

Cancorp

Telephone (Code 403)
782-2205 • MILL
782-2705 • OFFICE

PARKLAND BEEF INDUSTRIES LTD.

R.R. #2 (P.O. BOX 1300) • LACOMBE • ALBERTA

PRESS RELEASE

For Immediate Release - October 4 ......

Results for the Fiscal Year Ended 30 June 1973:
(With comparative figures for 1972)

	1973	1972	% Increase
Gross Revenues	$2,549,017	$1,873,012	36%
Operating Profit (Before the Undernoted)	126,638	62,125	104%
Less: Cattle Financing; Interest Expense	15,754	4,502	
Depreciation	26,131	20,208	
Net Taxable Income	84,753	37,415	
Income Taxation	27,458	13,925	
NET PROFIT	$57,295	$23,491	144%
Earnings; Per Share	7.7¢	3.1¢	
Cash Flow; Per Share	11.2¢	5.9¢	

4 October 1973

Camroy

PARKLAND BEEF INDUSTRIES LTD.

R.R. #2 (P.O. BOX 1300) • LACOMBE • ALBERTA

Semi-Annual Report to Shareholders

(Six-Months Ending 31 December 1973)

We nicely held our own during a period that saw the beef cattle industry beset with unprecedented problems in maintaining profitability. First, the summary of operating results (unaudited) for the 6-months ending 31 December 1973 (with comparative 1972 figures):

	1973	1972
Gross Revenues	$1,905,079	$1,119,049
Operating Profit (Before the Undernoted)	64,493	61,441
Less: Cattle & Feed Financing; Interest Expense	11,271	6,084
Depreciation	16,761	10,789
Provision for Income Taxation	14,582	22,284
NET PROFIT	$ 21,872	$ 22,284
Earnings; Per Share	3.0¢	3.0¢

Parkland's book value is now over 68¢/share (based on accelerated depreciation, without provision for inflationary replacement costs and "going concern" goodwill values). Negotiations with Japanese capital have progressed to the point of mutual acceptance of equity participation on the basis of a significant increment over book value, subject to their Head Office and our Shareholder approvals.

The past year was one of spirited changes in agricultural prices -- particularly in beef cattle. We witnessed "impossible" price levels, record price rises, rapid price declines, consumer boycotts and political capital made at the producers' expense. Our primary cost of doing business, feed barley, experienced a 300% price rise -- from 70¢-80¢/bu. to $2.25, plus. A couple of years ago we were feeding 40¢ barley and 60¢ wheat! The lucky beef cattle operator broke even in 1973; many lost, and are continuing to lose, as high cost inventory is sold in relatively weak markets. Parkland successfully employed a conservative inventory policy in both accounting-audits and in purchasing feeder cattle, our second primary business cost.

In this export-oriented era of $6.50 wheat, $2.60 barley, $3.30 corn and $12.00 beans, beef (or any meat) is the incredible bargain. But eat up! -- it won't last much longer! Beef (and milk) cow herds are declining because fat cattle prices are far, far below parallel feed grain costs. You cannot feed grain at 1974 prices to cattle at 1972 prices. Cow and heifer slaughter is therefore unusually heavy, depressing current fat cattle prices. Then where are the future calves going to come from? And what if 1974 grain crop and range grass conditions are less than perfect? The effects of the current imbalance will be with us for years to come.

(see overleaf)

The potential for disaster -- for the primary producer and for the consumer -- is here and now. The feedlot operation, as Parkland, is outside the squeeze. We tailor feeder cattle replacement purchases to fat cattle prices -- and to feed grain costs. Low feeder cattle markets hurt the rancher -- high grain costs, and future calf scarcities, push up fat cattle and consequent consumer prices. If problems create opportunities through their solution, Parkland looks forward to an exciting 1974.

25 February 1974 by: S. Donald Moore; President

COMPARATIVE STATEMENT OF INCOME AND EXPENSES

(For the 6-months ended 31 December 1972 and 1973)

	1973	1972
SALES AND REVENUES		
Livestock Sales and Revenue......	$1,869,066	$1,089,049
Other Revenues (Yardage, Milling, Commissions)..........	36,013	30,652
	1,905,079	1,11~~9,701~~ 20
COSTS AND EXPENSES		
Cost of Sales....................	1,806,114	1,028,322
General and Administrative Expenses......................	34,472	29,938
	1,840,586	1,058,260
NET OPERATING PROFIT (Before Depreciation, Interest & Provision for Income Taxes)....	64,493	61,441
Less Depreciation...............	16,761	10,789
Less Interest (Cattle & Feed Financing)....................	11,278	6,084
Less Provision For Income Taxes..	14,582	22,284
NET PROFIT FOR THE PERIOD.........	$ 21,872	$ 22,284
PER SHARE.....	3.0¢	3.0¢

COMPARATIVE STATEMENT OF SOURCE AND APPLICATION OF FUNDS

(For the 6-months ended 31 December 1972 and 1973)

	1973	1972
SOURCE OF FUNDS		
Net Profit for the Period........	$ 21,872	$ 22,284
Non-Cash Charges for Depreciation	16,761	10,789
Total Funds Provided....	38,633	33,073
APPLICATION OF FUNDS		
Purchase of Fixed Assets.........	27,256	12,100
Increase in Working Capital......	11,377	20,973
Working Capital -- Beginning of Period........................	163,721	178,967
Working Capital -- End of Period.	$ 175,098	$ 199,940

(UNAUDITED)